
State:	District of Columbia	Filing Company:	Scottsdale Indemnity Company
TOI/Sub-TOI:	17.0 Other Liability-Occ/Claims Made/17.0022 Other		
Product Name:	Business and Management Liability		
Project Name/Number:	E-Risk (CMTSS)/EK DC06388ICR01		

Filing at a Glance

Company:	Scottsdale Indemnity Company
Product Name:	Business and Management Liability
State:	District of Columbia
TOI:	17.0 Other Liability-Occ/Claims Made
Sub-TOI:	17.0022 Other
Filing Type:	Rate/Rule
Date Submitted:	05/02/2018
SERFF Tr Num:	SCTT-131484756
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	EK DC06388ICR01
Effective Date	On Approval
Requested (New):	
Effective Date	On Approval
Requested (Renewal):	
Author(s):	Dawn Weirich
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

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General Information

Project Name: E-Risk (CMTSS)	Status of Filing in Domicile: Pending
Project Number: EK DC06388ICR01	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 05/02/2018	
State Status Changed:	Deemer Date:
Created By: Dawn Weirich	Submitted By: Dawn Weirich
Corresponding Filing Tracking Number:	

Filing Description:

Scottsdale Indemnity Company is submitting new manual pages to be utilized with our Business and Management Liability program. We request an effective date concurrent with your Department's approval.

We are submitting for your review, a new admitted privacy product titled Cyber, Media, and Technology Security Services (CMTSS) within our Business and Management (BAM) Liability Program. The goal of this filing is to offer a competitive and updated privacy policy that the market is demanding.

Enclosed please find the new manuals as well as the actuarial support for this venture.

Company and Contact

Filing Contact Information

Dawn Weirich, Filings Analyst II	weiricd@scottsdaleins.com
PO Box 4110	800-423-7675 [Phone] 3109 [Ext]
Scottsdale, AZ 85261	

Filing Company Information

Scottsdale Indemnity Company	CoCode: 15580	State of Domicile: Ohio
PO Box 4110	Group Code: 140	Company Type:
Scottsdale, AZ 85261	Group Name: Nationwide	State ID Number:
(800) 423-7675 ext. [Phone]	FEIN Number: 31-1117969	

Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	

SERFF Tracking #:	SCTT-131484756	State Tracking #:		Company Tracking #:	EK DC06388/CR01
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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Manual Pages	I-EK-R-CMTSS-CWRANGE (3-18)	New		I-EK-R-CMTSS-CWRANGE (3-18).pdf

SCOTTSDALE INDEMNITY COMPANY
BUSINESS AND MANAGEMENT LIABILITY PROGRAM
COUNTRYWIDE RATING PLAN WITH RANGE MODIFIERS
CYBER, MEDIA, AND TECHNOLOGY SECURITY SERVICES

Business and Management (BAM) Rating Plan applicable to the following Coverage Section of the BAM Management Liability Package Product:

Cyber, Media and Technology Security Services Coverage Section

This Rating Plan is a guide and is intended to address the most commonly written coverages and classes of business.

Due to the catastrophic nature of the Coverage Section, the lack of actuarially credible data for the industry as a whole, much less any single carrier, and the variability of coverage, the underwriter is called upon to exercise judgment pricing where appropriate. With proper factual documentation and reasoning, individual risk hazards may be changed to reflect the actual risk hazards on a particular risk that is different from the usual exposures contemplated in this Rating Plan. It is expected that good judgment will be exercised in identifying the risk hazards peculiar to applicable risks with full and clear file documentation for the underwriting reasoning used.

This Rating Plan does not contemplate any substantial shift in trends involving legal environment, loss severity or newly emerging exposures not previously contemplated in the pricing of the risk or in the pricing of the underlying layers. In the event that the Company either experiences or witnesses such a shift in trends, the file shall be clearly documented to reflect the increased exposure detailing trend observations and judgment pricing shall be utilized.

These guidelines are to be used for All Risks which are NOT eligible for individual risk rating.

This Rating Plan calls for steps to be followed for the Coverage Section for which coverage has been applied. Each Coverage section is underwritten individually and may be offered using separate limits of liability for each Coverage Section, using a single limit of liability among coverage sections or using a combination of separate and combined limits of liability among the Coverage Sections. Other BAM Coverage Sections, including Businessowners and General Liability Coverage Sections, as approved in other filing documents, may be offered in conjunction with this or any other Coverage Section.

The following are the rating steps for the Coverage Section.

Step 1: Hazard Group

Determine and select the Hazard Class of the risk from the below grouping of hazard classes.

Hazard Groups

Hazard 1 (Low Exposure)

Hazard 2 (Average Exposure)

Hazard 3 (Above Average Exposure)

Hazard 4 (High Exposure)

The exposure will be classified on a variety of risk factors, including, but not limited to, cyber, media or technology services provided or undertaken, financial condition, foreign exposure, multiple industry exposure, scope of work conducted or transacted, clients (size and type), record count, location, and claims.

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CYBER, MEDIA, AND TECHNOLOGY SECURITY SERVICES

Step 2: Base Premium

Determine the Base Premium by multiplying the Revenues of the risk by the rate factor assigned to the Hazard Group using the following rates for each Hazard Group.

Hazard 1

Revenue Range	Base Premium	Factor per \$1,000 of Revenues	Maximum
\$ 0 up to \$ 100,000	\$ 500		\$ 500
\$ 100,000 up to \$ 250,000	\$ 500	0.0000	\$ 500
\$ 250,000 up to \$ 500,000	\$ 500	0.0000	\$ 500
\$ 500,000 up to \$ 1,000,000	\$ 500	0.1460	\$ 573
\$ 1,000,000 up to \$ 1,500,000	\$ 573	0.2240	\$ 685
\$ 1,500,000 up to \$ 2,000,000	\$ 685	0.1800	\$ 775
\$ 2,000,000 up to \$ 3,000,000	\$ 775	0.1500	\$ 925
\$ 3,000,000 up to \$ 4,000,000	\$ 925	0.1280	\$ 1,053
\$ 4,000,000 up to \$ 5,000,000	\$ 1,053	0.1120	\$ 1,165
\$ 5,000,000 up to \$ 7,500,000	\$ 1,165	1.2380	\$ 4,260
\$ 7,500,000 up to \$10,000,000	\$ 4,260	0.2792	\$ 4,958
\$10,000,000 up to \$15,000,000	\$ 4,958	0.2564	\$ 6,240
\$15,000,000 up to \$25,000,000	\$ 6,240	0.2385	\$ 8,625
\$25,000,000 up to \$35,000,000	\$ 8,625	0.2250	\$10,875
\$35,000,000 up to \$50,000,000	\$10,875	0.2175	\$14,138

Hazard 2

Revenue Range	Base Premium	Factor per \$1,000 of Revenues	Maximum
\$ 0 up to \$ 100,000	\$ 750		\$ 750
\$ 100,000 up to \$ 250,000	\$ 750	0.3333	\$ 800
\$ 250,000 up to \$ 500,000	\$ 800	0.1000	\$ 825
\$ 500,000 up to \$ 1,000,000	\$ 825	0.2400	\$ 945
\$ 1,000,000 up to \$ 1,500,000	\$ 945	0.3700	\$ 1,130
\$ 1,500,000 up to \$ 2,000,000	\$ 1,130	0.2980	\$ 1,279
\$ 2,000,000 up to \$ 3,000,000	\$ 1,279	0.4320	\$ 1,711
\$ 3,000,000 up to \$ 4,000,000	\$ 1,711	0.2370	\$ 1,948
\$ 4,000,000 up to \$ 5,000,000	\$ 1,948	0.2070	\$ 2,155
\$ 5,000,000 up to \$ 7,500,000	\$ 2,155	1.1828	\$ 5,112
\$ 7,500,000 up to \$10,000,000	\$ 5,112	0.3352	\$ 5,950
\$10,000,000 up to \$15,000,000	\$ 5,950	0.3076	\$ 7,488
\$15,000,000 up to \$25,000,000	\$ 7,488	0.3725	\$11,213
\$25,000,000 up to \$35,000,000	\$11,213	0.2925	\$14,138
\$35,000,000 up to \$50,000,000	\$14,138	0.2827	\$18,379

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Hazard 3

Revenue Range	Base Premium	Factor per \$1,000 of Revenues	Maximum
\$ 0 up to \$ 100,000	\$ 1,050		\$ 1,050
\$ 100,000 up to \$ 250,000	\$ 1,050	0.4667	\$ 1,120
\$ 250,000 up to \$ 500,000	\$ 1,120	0.1400	\$ 1,155
\$ 500,000 up to \$ 1,000,000	\$ 1,155	0.3380	\$ 1,324
\$ 1,000,000 up to \$ 1,500,000	\$ 1,324	0.5160	\$ 1,582
\$ 1,500,000 up to \$ 2,000,000	\$ 1,582	0.4160	\$ 1,790
\$ 2,000,000 up to \$ 3,000,000	\$ 1,790	0.8620	\$ 2,652
\$ 3,000,000 up to \$ 4,000,000	\$ 2,652	0.3670	\$ 3,019
\$ 4,000,000 up to \$ 5,000,000	\$ 3,019	0.3220	\$ 3,341
\$ 5,000,000 up to \$ 7,500,000	\$ 3,341	2.0376	\$ 8,435
\$ 7,500,000 up to \$10,000,000	\$ 8,435	0.5528	\$ 9,817
\$10,000,000 up to \$15,000,000	\$ 9,817	0.5076	\$12,355
\$15,000,000 up to \$25,000,000	\$12,355	0.7828	\$20,183
\$25,000,000 up to \$35,000,000	\$20,183	0.5265	\$25,448
\$35,000,000 up to \$50,000,000	\$25,448	0.5090	\$33,083

Hazard 4

Revenue Range	Base Premium	Factor per \$1,000 of Revenues	Maximum
\$ 0 up to \$ 100,000	\$ 1,313		\$ 1,313
\$ 100,000 up to \$ 250,000	\$ 1,313	0.5800	\$ 1,400
\$ 250,000 up to \$ 500,000	\$ 1,400	0.1760	\$ 1,444
\$ 500,000 up to \$ 1,000,000	\$ 1,444	0.4220	\$ 1,655
\$ 1,000,000 up to \$ 1,500,000	\$ 1,655	0.6460	\$ 1,978
\$ 1,500,000 up to \$ 2,000,000	\$ 1,978	0.5200	\$ 2,238
\$ 2,000,000 up to \$ 3,000,000	\$ 2,238	1.6080	\$ 3,846
\$ 3,000,000 up to \$ 4,000,000	\$ 3,846	0.5320	\$ 4,378
\$ 4,000,000 up to \$ 5,000,000	\$ 4,378	0.4660	\$ 4,844
\$ 5,000,000 up to \$ 7,500,000	\$ 4,844	3.2920	\$13,074
\$ 7,500,000 up to \$10,000,000	\$13,074	0.8568	\$15,216
\$10,000,000 up to \$15,000,000	\$15,216	0.7870	\$19,151
\$15,000,000 up to \$25,000,000	\$19,151	1.3141	\$32,292
\$25,000,000 up to \$35,000,000	\$32,292	0.8424	\$40,716
\$35,000,000 up to \$50,000,000	\$40,716	0.8145	\$52,933

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Step 3: Retention

Determine the Retention amount based on Hazard Group and revenues and the relative risk exposure with each Hazard Group. Next, determine the Retention amount based on Hazard Group and number of records retained with personally identifiable information. Choose the higher applicable retention amount based on the relative risk exposure within each Hazard Group. Below are the base retentions for each Hazard Group and the step schedule to modify a given retention.

Revenue Range			Hazard 1	Hazard 2	Hazard 3	Hazard 4
\$0	up to	\$ 2,000,000	\$ 2,500	\$ 5,000	\$ 7,500	\$10,000
\$ 2,000,001	up to	\$ 5,000,000	\$ 5,000	\$ 7,500	\$10,000	\$15,000
\$ 5,000,001	up to	\$10,000,000	\$ 7,500	\$10,000	\$15,000	\$25,000
\$10,000,001	up to	\$50,000,000	\$10,000	\$15,000	\$25,000	\$25,000

Record Range			Hazard 1	Hazard 2	Hazard 3	Hazard 4
0	up to	100,000	\$ 2,500	\$ 5,000	\$ 7,500	\$10,000
100,001	up to	250,000	\$ 5,000	\$ 7,500	\$10,000	\$25,000
250,001	up to	500,000	\$10,000	\$10,000	\$25,000	\$25,000
Above 500,000			\$15,000	\$25,000	\$50,000	\$50,000

To adjust the determined retention amounts, apply the step process in the table below. Factors can be interpolated or extrapolated for retention amounts not listed in the table

Step Factor	Retention Amount
1.250	\$ 0
1.100	\$ 1,000
1.050	\$ 1,500
1.000	\$ 2,500
0.950	\$ 5,000
0.925	\$ 7,500
0.900	\$ 10,000
0.850	\$ 15,000
0.825	\$ 20,000
0.800	\$ 25,000
0.775	\$ 35,000
0.750	\$ 50,000
0.725	\$ 65,000
0.700	\$ 75,000
0.675	\$ 85,000
0.650	\$100,000
0.600	\$150,000
0.500	\$250,000

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Step 4: Risk Characteristics

Based upon information in the underwriting file, apply all relevant factors to the premium derived in Step 4. Factors fully considered elsewhere should not be given additional credits/debits here.

Items	Factors
Domicile Within the State	0.80 to 1.60
Nature of Operations	0.80 to 1.75
More than Three Years in Business	0.80 to 1.00
Less than Three Years in Business	1.00 to 1.30
Complexity of Organization and Number of Insured Entities/Subsidiaries	0.75 to 1.25
Management Experience	0.80 to 1.30
Employee Experience	0.80 to 1.30
Management Training	0.80 to 1.30
Employee Training	0.80 to 1.30
Use of Independent Contractors	0.80 to 1.30
Type of Independent Contractors	0.80 to 1.30
Qualifications of Independent Contractors	0.80 to 1.30
Use of Written Contracts	0.80 to 1.30
Quality of Written Contracts	0.80 to 1.30
Legal Review of Contracts	0.80 to 1.30
Risk Management Procedures	0.80 to 1.30
Audit Process for Quality Assurance	0.80 to 1.30
Maintenance of General Liability and Other Insurance	0.80 to 1.30
Disaster Recovery Plan	0.80 to 1.30
Merger and Acquisition Activity	0.80 to 1.30
Balance Sheet Quality	0.75 to 1.25
Income Statement Quality	0.75 to 1.25
Cash Flow Condition	0.75 to 1.25
Change in Financial Condition	0.75 to 1.25
Operations or Industry Specific Ratio	0.75 to 1.25
Extraordinary Items or Financial Notes Factors	0.75 to 1.25
Number of Data Records Retained	0.80 to 1.30
Computer Hardware/Software Employed for Security	0.80 to 1.30
Computer Hardware/Software Updates	0.80 to 1.75
Type of Records Retained or Transmitted	0.75 to 1.25
Electronic Records Backup	0.75 to 1.25
Security Level of Backup of Records	0.75 to 1.25
Testing of Security Controls to Records	0.75 to 1.25
Transportation of Records to External Location	0.75 to 1.25

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Items	Factors
Policy/Process for Monitoring and Identifying Externally Transported Records	0.75 to 1.25
Records Stored on a Laptop	0.75 to 1.25
Records Stored at a Personal Residence	0.75 to 1.25
Records Stored at an Outside Vendor	0.75 to 1.25
Written Privacy Policy	0.75 to 1.25
Legal Review of Privacy Policy	0.75 to 1.25
Updating of Privacy Policy	0.75 to 1.25
Privacy Policy Compliance	0.75 to 1.25
Disposal Practices of Records	0.75 to 1.25
Losses: Current or Within One Year	1.00 to 1.50
Losses: Within 1-5 Years	1.00 to 1.30
Losses: Within 5-10 Years	0.90 to 1.30
Losses: No Information in File	1.00
Other Losses	1.00 to 1.25
Litigation: Current or Within One Year	1.00 to 1.50
Litigation: Within 1-5 Years	1.00 to 1.30
Litigation: Within 5-10 Years	0.90 to 1.30
Litigation: No Information in File	1.00
Other Litigation	1.00 to 1.25
Significant Transactional Event	0.75 to 1.25

Extremely severe or significant litigation, loss or transactional event >25% debit/credit (Note: this debit or credit should be only occasionally used and then significant additional documentation beyond that normally required is necessary to explain this type of large credit or debit).

Step 5: Significant Terms and Conditions

Apply the Significant Terms and Conditions Factor in accordance with the premium level derived.

5% to 25% credit: per each restrictive endorsement

5% to 25% debit: per each expansive endorsement

>25% credit/debit: At least one very restrictive or expansive endorsement (Note: additional documentation beyond that normally required is necessary to explain this type of large credit or debit).

Granting of Prior Acts Coverage 1.00 to 1.55

Step 6: Discovery (Extended Reporting Period)

Period	Additional Premium Charge of the total premium
0 to 180 days	50 to 75%
180 days to 1 Year	50 to 100%
2 Year	125 to 150%
3 Year	150 to 200%

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The percentage of the total premium charged for this extension of coverage is derived from the cumulative underwriting factors and risks inherent in each specific account.

Note: Extended Reporting Period applies only to liability coverages.

Step 7: Increase Limit Factors

Limit	Factor
100,000	0.55
250,000	0.65
500,000	0.75
1,000,000	1.00
2,000,000	1.40
3,000,000	1.65
4,000,000	1.90
5,000,000	2.15

For Limits, greater than \$5,000,000; Submit to Home Office for review.

Limit factors can be interpolated or extrapolated for limits not in the table.

- Excess Limits Factor:
- (1) Calculate premium for entire layer up to and including our excess layer.
 - (2) Calculate premium for primary layers beneath our excess layer (i.e. don't include our excess layer).
 - (3) Excess Factor = (1) – (2)

Example:

2M x 3M: (Base x 2.75) – (Base x 2.0) = Excess Factor

Alternative Excess Rating calculation is based on a factor of at least 55% of the preceding layer.

Step 8: Schedule Rating

Apply the following schedule rate modification as they may apply:

Items	Factor
Claims/Litigation History (severity)	0.80 to 1.20
Loss History (severity)	0.80 to 1.20
Stability of Workforce	0.85 to 1.15
Other Financial Factors	0.80 to 1.25
Takeover Potential	0.80 to 1.25
Effectuated by Recession	0.80 to 1.25
Riskiness of Overall Industry	0.80 to 1.25
Client Relationship	0.75 to 1.25
Regulatory Environment	0.75 to 1.25

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NOTE: See table below for max schedule rating credits/debits allowed in each state in step 8.

Maximum Available Debits/Credits (%)	States
+/- 15	NY
+/- 25	AL, AZ, CA, CO, CT, DE, DC, FL, IA, ID, KY, LA, MI, MN, MO, NJ, ND, NV, OH, OR, PR, SD, UT, WA
+/- 40	AK, AR, KS, ME, MD, MS, MT, NE, NH, OK, PA, RI, TX, WV
+40; -50	GA
+/- 50	IL, IN, MA, NM, NC, TN, VT, VA, WI, WY
+25; -40	SC

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Supporting Document Schedules

Bypassed - Item:	Consulting Authorization
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Certification (P&C)
Bypass Reason:	initial filing
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	Initial filing
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Comments:	
Attachment(s):	CMTS Actuarial Memo (SIN).pdf CMTS Filing Exhibits.pdf
Item Status:	
Status Date:	

Scottsdale Indemnity Company

Business and Management Liability Program

Cyber, Media, and Technology Security Services

Actuarial Memorandum

Scottsdale Indemnity Company (SIN) is submitting for your review a new admitted privacy product titled Cyber, Media, and Technology Security Services (CMTS) within SIN's Business and Management (BAM) Liability Program. This is SIN's initial application for this admitted CMTS product.

The CMTS product provides coverage for first and third party exposures of cyber, computer, technology security and web-media services liability. The CMTS product offers flexibility to customize coverage to best meet the specific needs of the insured.

The complete CMTS rating plan is included with this filing. As SIN generates experience for the admitted CMTS product, these initial rates and rating factors will be reviewed for appropriateness.

Historical expense data is included in Exhibit 1. Historical expense data included with this application is based on the countrywide experience of the BAM Liability Program, including business written in SIN and other affiliated companies. The selected profit and contingencies provision is shown on Exhibit 2. The provision was calculated using a discounted cash-flow approach as shown in Exhibit 3. The development of the target return on equity is shown on Exhibit 4. The development of the premium to surplus ratio is shown on Exhibit 5.

All Companies
Business and Management Liability Program
Countrywide
Exhibit 1 - Historical Expense Data

	Calendar Year					5 Yr. Total	Select
	2012	2013	2014	2015	2016		
Written Premium	\$165,761	\$188,742	\$208,599	\$221,929	\$234,202	1,019,233	1,019,233
Earned Premium	\$153,660	\$182,099	\$200,790	\$216,775	\$228,642	981,965	981,965
Commission	\$52,827 31.9%	\$59,759 31.7%	\$62,622 30.0%	\$69,544 31.3%	\$71,795 30.7%	316,547 31.1%	316,547 31.1%
Other Acquisition	\$3,669 2.2%	\$3,419 1.8%	\$4,478 2.1%	\$6,452 2.9%	\$7,200 3.1%	25,217 2.5%	25,217 2.5%
General Expense	\$1,834 1.1%	\$1,709 0.9%	\$2,239 1.1%	\$3,226 1.5%	\$3,600 1.5%	12,609 1.2%	12,609 1.2%
Tax, License, Fees	\$1,803 1.1%	\$1,872 1.0%	\$2,179 1.0%	\$2,355 1.1%	\$2,951 1.3%	11,160 1.1%	11,160 1.1%
ULAE	\$3,971 2.6%	\$4,431 2.4%	\$4,338 2.2%	\$4,235 2.0%	\$6,014 2.6%	22,989 2.3%	22,989 2.3%
Profit & Contingencies	\$8,174 4.9%	\$9,307 4.9%	\$10,286 4.9%	\$10,944 4.9%	\$11,549 4.9%	50,259 4.9%	50,259 4.9%
Total Expense	\$72,278 43.8%	\$80,498 42.7%	\$86,143 41.4%	\$96,756 43.6%	\$103,108 44.1%	438,782 43.1%	438,782 43.1%

Note:

1. Countrywide 'Tax, Licenses, & Fees'
2. 'Commission', 'Premium Tax', and 'Profit & Contingencies' are completely variable expenses. 'Other Acquisition' expenses are assumed to be 75% variable. 'General Expense' expenses are assumed to be 25% variable. 'ULAE' is a completely fixed expense.
3. In thousands

All Companies
Business and Management Liability Program
Countrywide
Exhibit 2 - Expenses, P&C, and PLR Calculation

1) Expense Factors

A.	Commissions*	31.1%
B.	Other Acquisition*	2.5%
C.	General Administration*	1.2%
D.	Tax, Licenses, Fees*	1.1%
E.	Miscellaneous (ULAE)*	2.3%
F.	Total Expenses*	38.2%

2) Profit and Contingencies

A.	Target Return on Surplus	10.5%
B.	Premium to Surplus Ratio	1.23
C.	Target Return on Premium	8.5%
D.	Investment Income on Surplus	2.0%
E.	Return on Operations	6.5%
F.	Profit and Contingencies	4.9%
G.	1. Risk Load in ILF	0.0%
	2. Risk Load Adjustment	0.0%
H.	Adjusted Pre-tax Underwriting profit	4.9%
I.	Capped Adjusted Pre-tax Underwriting profit	4.9%

3) Permissible Loss Ratio

A.	Expenses	38.2%
B.	Profit and Contingencies (Capped at 5.0%)	4.9%
C.	Subtotal	43.1%
D.	Permissible Loss and ALAE Ratio	56.9%

NOTES:

2A)	Selected
2B)	NW 12/00
2C)	(2A)/(2B)
2D)	Interest Rate / Premium to Surplus x (1 - Effective Tax Rate) = 3.1% / 1.23 x (1 - 21.0%)
2E)	(2C) - (2D)
2F)	See Exhibit EXP-1 Sheet 2
2G1)	Increased Limit Factor Risk Load
2G2)	(2G1) x [1 - (1F)]
2H)	(2F) - (2G2)

All Companies
Business and Management Liability Program
Countrywide
Exhibit 3 - Profit and Contingencies Provision Calculation

Assumptions:

Interest Rate	3.1%
Loss and ALAE Ratio Required to Meet Return on Operations	56.9%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	% of	UW	Assumed	Assumed	Paid Loss	Net	Discount	PV of Net
Year	Premium	Expense	Cumulative	Incremental	and ALAE	Cashflow	Factors	Cashflow
	Received		Payment	Payment	Ratio			
			Pattern	Pattern				
1	90.0%	38.2%	9.5%	9.5%	5.4%	46.4%	0.985	45.7%
2	10.0%		42.0%	32.6%	18.5%	-8.5%	0.955	-8.1%
3			66.5%	24.4%	13.9%	-13.9%	0.926	-12.9%
4			79.6%	13.2%	7.5%	-7.5%	0.898	-6.7%
5			87.4%	7.8%	4.4%	-4.4%	0.871	-3.9%
6			92.7%	5.3%	3.0%	-3.0%	0.845	-2.5%
7			96.1%	3.4%	1.9%	-1.9%	0.819	-1.6%
8			97.9%	1.8%	1.0%	-1.0%	0.795	-0.8%
9			99.3%	1.4%	0.8%	-0.8%	0.771	-0.6%
10			99.8%	0.5%	0.3%	-0.3%	0.747	-0.2%
11			100.0%	0.2%	0.1%	-0.1%	0.725	-0.1%
12			100.0%	0.0%	0.0%	0.0%	0.703	0.0%
13			100.0%	0.0%	0.0%	0.0%	0.682	0.0%
14			100.0%	0.0%	0.0%	0.0%	0.661	0.0%
15			100.0%	0.0%	0.0%	0.0%	0.641	0.0%
16+			100.0%	0.0%	0.0%	0.0%	0.622	0.0%
Total	100.0%	38.2%			56.9%	4.9%		8.3%

(9)	Pre-tax Underwriting Income	4.9%
(10)	After-tax Underwriting Income	3.9%
(11)	Pre-tax Investment Income	3.3%
(12)	After-tax Investment Income	2.6%
(13)	PV of Operating Income	8.3%
(14)	After-Tax Operating Income	6.5%

(6) = (1) - (2) - (5)

(7) = (1 + Interest Rate) ^ (0.5 - Year)

(8) = (6) × (7)

(9) = (6)

(10) = (9) × (1 - 21%)

(11) = (8) - (6)

(12) = (11) × (1 - Effective Tax Rate)

(13) = (8)

(14) = (10) + (12)

All Companies
Total All Lines
Countrywide
Exhibit 4 - Determination of Target Return on Equity

SELECTED TARGET RETURN ON EQUITY	10.5%
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P&C INDUSTRY AGGREGATE TOTAL RETURN
(in millions)

	(1)	(2)	(3)	(4)	(2) + (3) + (4)	(5)	(6)	(5) - (6)
	Yearend	Net	Other	Net	Pretax	Income	Income	Net
<u>Year</u>	<u>PHS</u>	<u>Undwrtg</u>	<u>Income/</u>	<u>Invstmt</u>	<u>Operating</u>	<u>Tax</u>	<u>Income</u>	<u>Operating</u>
		<u>Income</u>	<u>Expenses</u>	<u>Income</u>	<u>Income</u>			<u>Income</u>
2007	529,044	21,638	(3,805)	56,469	74,302	19,859		54,444
2008	460,676	(19,625)	(2,575)	53,104	30,905	7,887		23,018
2009	517,551	1,562	(2,243)	48,349	47,668	8,430		39,238
2010	561,777	(8,323)	(2,040)	48,099	37,737	8,833		28,903
2011	560,323	(35,306)	(869)	50,891	14,716	3,028		11,688
2012	594,819	(13,843)	(1,063)	50,278	35,373	6,254		29,119
2013	664,819	17,518	(1,876)	49,270	64,913	12,038		52,874
2014	688,428	14,226	(6,159)	54,974	63,042	10,319		52,723

	(8)	(9)	(10)	(8) + (9) + (10)	(7) + (11)	(12) / Avg
	Realized	Unrealized	Other	Total	\$	(1)y,y-1
<u>Year</u>	<u>Capital</u>	<u>Capital</u>	<u>Gain/Loss</u>	<u>Invstmt</u>	<u>Total</u>	<u>Total</u>
	<u>Gain/Loss</u>	<u>Gain/Loss</u>		<u>Gain/Loss</u>	<u>Return</u>	<u>Return</u>
2007	9,022	(1,242)	869	8,650	63,093	
2008	(20,106)	(38,500)	(4,287)	(62,893)	(39,875)	-8.1%
2009	(7,659)	15,407	14,131	21,879	61,117	12.5%
2010	7,829	7,747	531	16,107	45,010	8.3%
2011	7,576	(3,699)	(193)	3,685	15,372	2.7%
2012	8,659	9,878	3,050	21,587	50,706	8.8%
2013	18,384	25,796	(5,943)	38,237	91,111	14.5%
2014	11,773	2,798	(10,862)	3,709	56,431	8.3%

All Year Simple Weighted Average: 6.7%

All Year PHS Weighted Average: 7.3%

All Year Premium Weighted Average (excl. 2014): 7.1%

Latest 3 Year Average: 10.5%

All Companies
Total All Lines
Countrywide
Exhibit 4 - Determination of Target Return on Equity

LARGE REINSURANCE FOCUS TOTAL RETURN
(in millions)

	(1)	(2)	(3)	(4)	(2) + (3) + (4)	(5)	(6)	(5) - (6)
	Yearend	Net	Other	Net	Pretax	Income	Income	Net
<u>Year</u>	<u>PHS</u>	<u>Undwrtg</u>	<u>Income/</u>	<u>Invstmt</u>	<u>Operating</u>	<u>Tax</u>	<u>Operating</u>	<u>Operating</u>
		<u>Income</u>	<u>Expenses</u>	<u>Income</u>	<u>Income</u>		<u>Income</u>	<u>Income</u>
2007	86,526	2,298	(2,453)	7,838	7,683	1,860	5,824	
2008	74,594	(184)	(637)	6,719	5,898	1,713	4,185	
2009	91,301	2,049	(351)	8,380	10,078	1,871	8,207	
2010	114,064	1,249	(81)	7,442	8,610	1,561	7,049	
2011	117,071	(2,050)	328	9,130	7,408	1,077	6,331	
2012	130,984	1,194	(204)	8,839	9,829	1,408	8,422	
2013	185,751	5,310	(778)	12,717	17,249	2,357	14,892	
2014	186,074	5,202	(4,371)	17,702	18,532	2,079	16,454	

	(8)	(9)	(10)	(8) + (9) + (10)	(7) + (11)	(12) / Avg
	Realized	Unrealized	Other	Total	\$	(1)y,y-1
	Capital	Capital	Other	Invstmt	Total	(13)
<u>Year</u>	<u>Gain/Loss</u>	<u>Gain/Loss</u>	<u>Gain/Loss</u>	<u>Gain/Loss</u>	<u>Return</u>	<u>Return</u>
2007	3,572	331	283	4,187	10,011	
2008	(994)	(9,057)	405	(9,646)	(5,461)	-6.8%
2009	(1,863)	7,215	321	5,673	13,881	16.7%
2010	3,041	3,338	(1,875)	4,504	11,554	11.3%
2011	1,068	(646)	874	1,295	7,626	6.6%
2012	71	5,589	216	5,875	14,297	11.5%
2013	3,057	13,785	(4,108)	12,734	27,626	17.4%
2014	3,646	(1,223)	(2,626)	(203)	16,251	8.7%

All Year Simple Weighted Average:	9.4%
All Year PHS Weighted Average:	10.5%
All Year Premium Weighted Average (excl. 2014):	11.0%
Latest 3 Year Average	12.6%

Note: A factor of (1- corporate tax rate) has been applied to the unrealized capital gains.

Taxes for Realized Capital Gains are included in the income tax column.

Source: SNL Interactive Reporting
P&C Statutory Financials
P&C Industry Aggregate for Single Entities at an Operational Basis or
Large Reinsurance Focus

**All Companies
Total All Lines
Countrywide
Exhibit 5 - Premium to Surplus Ratio**

Year	<u>Nationwide</u>	<u>Page 3 Surplus</u>	<u>Page 8/Part1B</u>
	<u>Premium to</u> <u>Surplus Ratio</u>	<u>Column 1 Line 35</u>	<u>Col 6: Net</u> <u>Premium</u> <u>Written Line 35</u>
1991	1.66	3,782,920,773	6,284,387,969
1992	1.88	3,686,617,797	6,936,961,880
1993	1.83	3,993,105,701	7,294,653,471
1994	1.54	4,819,634,362	7,433,637,334
1995	1.50	5,109,943,072	7,644,010,374
1996	1.47	5,592,998,780	8,242,759,178
1997	0.90	9,316,877,528	8,375,330,734
1998	0.80	10,560,508,618	8,494,945,816
1999	1.05	8,715,329,901	9,157,207,264
2000	1.18	7,973,092,980	9,445,456,058
2001	1.41	7,508,434,069	10,590,760,351
2002	1.72	6,818,602,349	11,700,113,519
2003	1.61	8,571,382,364	13,818,646,663
2004	1.55	9,180,171,873	14,263,138,392
2005	1.51	10,060,618,580	15,200,589,815
2006	1.24	12,866,736,463	15,953,357,297
2007	1.17	13,576,415,515	15,925,333,277
2008	1.19	13,151,263,412	15,617,835,595
2009	1.28	11,717,937,938	14,956,552,078
2010	1.12	12,974,332,121	14,489,530,903
2011	1.13	12,832,085,133	14,563,947,803
2012	1.19	13,825,645,595	16,390,849,996
2013	1.20	14,407,533,271	17,357,596,053
2014	1.23	14,868,670,050	18,317,604,656

Selected

1.23

Source: Nationwide Mutual Insurance Company and its
Affiliated Fire and Casualty Insurers